Before the
Department of Commerce
U.S. Patent & Trademark Office
Alexandria, Virginia

In re

Request for Comments on Trademark Litigation Tactics and Experiences with Trademark "Bullies" (Small Business Study)

RESPONSE OF EBAY INC.

eBay Inc. ("eBay") hereby submits these comments to the United States Patent and Trademark Office (USPTO), in response to its request published on October 13, 2010.[1] eBay appreciates the opportunity to provide its remarks on the importance of protecting small businesses from the misuse of trademark in a manner that harms small businesses and was never the intended use of intellectual property laws.

Founded in 1995 in San Jose, California, eBay connects millions of buyers and sellers globally on a daily basis through eBay, the world's largest online marketplace: in 2009, the total worth of goods sold on eBay was $60 billion. Currently, eBay companies operate trading platforms in 23 countries around the world and have over 90 million active users globally.

eBay platforms empower more than a million small business retailers and entrepreneurs to reach millions of consumers across the globe. eBay, as an online service provider bringing buyers and sellers together, enables small businesses to thrive and create job opportunities for many that would not have otherwise existed, particularly in a depressed economy. As the owner of a valuable and famous trademark, and due to its role as a venue for small businesses to reach consumers, eBay is uniquely situated to comment on the needs of trademark owners to protect

[1] *Request for Comments: Trademark Litigation Tactics*, http://www.uspto.gov/trademarks/bullies_survey.jsp

their brands, as well as to provide examples of small business dealings with trademark owners using tactics to stop legitimate business practices.

eBay, as a trademark owner, recognizes the importance and value of protecting trademarks. eBay also strongly believes that the USPTO and Congress need to review the standards and practices that govern trademark and intellectual property law to ensure that they are being used and enforced in a manner that benefits consumers and not in a manner that inappropriately hinders trade and hurts small businesses.

In response to the questions set forth in the initial request, eBay replies as follows:

> 1. Please identify whether you are a trademark owner or practitioner, and the general size and nature of your business or trademark practice, including the number of trademark applications and registrations your business has, or your practice handles. Please note that the USPTO will fully consider any comments you submit, even if you choose not to identify yourself in a particular manner.

eBay is not only the owner of a number of valuable and famous trademarks, but it also is an online service provider that processes notice and takedown claims from other trademark owners concerning third party content that is hosted on its site. As a trademark owner, eBay and its subsidiaries currently have 171 active trademark applications in the United States and 910 active trademark applications internationally, and 155 trademark registrations in the United States and 958 trademark registrations internationally. Accordingly, eBay has a substantial interest in the proper and balanced administration of trademark rights.

> 2. In approximately the last 5 years, please describe any instances of which you have first-hand knowledge where a small business may have been the target of litigation tactics attempting to enforce trademark rights beyond a reasonable interpretation of the scope of the rights granted to the trademark owner.

eBay acts as an online service provider for individual and small business entrepreneurs to provide services and goods to millions of consumers worldwide. These small business entrepreneurs, which are the backbone of the American economy, utilize eBay's online

marketplace to reach consumers. eBay, as a result, creates opportunity for millions of independent sellers and small business entrepreneurs who are creating jobs through their businesses on eBay. Unfortunately, these small businesses can be the targets of high pressure tactics by rights owners, such as trademark bullying.

Per the USPTO's definition, a trademark "bully" is "a trademark owner that uses its trademark rights to harass and intimidate another business beyond what the law might be reasonably interpreted to allow." Under this definition, we have seen trademark bullies engage in pre-litigation tactics that abuse eBay's notice and takedown process, known as the Verified Rights Owner ("VeRO") program. These trademark bullies allege trademark infringement has occurred by small business entrepreneurs on eBay, but these alleged infringements are beyond a reasonable interpretation of those trademark rights and are often instead a thinly veiled attempt to control pricing or distribution of their product – to the detriment of consumers.

eBay is not in a position to resolve trademark disputes regarding third parties and is often unable to identify abusive pre-litigation reports until further information is brought to its attention through, for instance, a retraction of a Notice of Claimed Infringement ("NOCI") by the trademark owner or through anecdotal information from the small business seller. Indeed, current law regarding secondary liability under the Lanham Act incent eBay and similarly situated online service providers to take down third party content when a trademark owner alleges infringement of their trademark.

While eBay is generally not in a position to know about all the trademark abuse that occurs in interactions between its sellers and rights owners, eBay does, in some instances, receive knowledge of particularly egregious wrongdoing from its small business sellers. The

following are just a few specific examples of trademark bullies who have targeted small business entrepreneurs selling on eBay's site.

- For example, brand owners send eBay NOCIs regarding the manner in which products are described (as opposed to a claim the product itself is infringing), claiming that such descriptions infringe their trademark rights (e.g., describing the goods as made "for" the brand owners' products). Where such products are specifically designed to be compatible with the branded products such a use in the description of the product would seem to be fair and protected as nominal use. Such brand owners have threatened litigation against both eBay and the small business resellers in a thinly veiled attempt to quash competition by small businesses.
- At least one brand owner has gone so far as to obtained a trademark on the phrase "for" in connection with their trademark for the purpose of aggressively enforcing the their mark against producers of compatible products.
- Another brand owner has reported items that are available only to U.S. buyers on the ebay.com site for alleged violations of U.S. parallel import laws. When questioned about its reports, the brand owner conceded that its purpose was to control distribution and pricing of non-infringing authentic items.
- eBay has removed over 50 items reported as counterfeit by yet another brand owner. eBay later discovered the basis for reporting at least one of the items as counterfeit was the brand owner's assertion that the seller was not an authorized reseller of brand owner. This is an example of a trademark owner misusing trademark rights to stop legitimate trade of an authentic item by a competitor.

- Another company has contacted eBay sellers claiming it intends to use the eBay VeRO program to report unauthorized distributors and will report these small business competitors if they do not discontinue selling its items on the site. Again, a small business is being pressured to stop legitimately selling authentic goods through pressure tactics based on flimsy trademark claims.
- Still further, a brand owner has reported items as counterfeit and then subsequently contacted the seller of the reported items to request that it follow the brand owner's Maximum Discount Policy. Similarly, a separate brand owner has reported items as counterfeit, but messages to sellers that they are concerned that sellers follow Minimum Advertised Pricing ("MAP"). It appears both brand owners are concerned about the pricing of these authentic items by competitors rather than concerns relating to trademark infringement.
- Another brand owner has reported items as counterfeit on the basis of its assertion that it "hold[s] all trademark and copyright" to their line, and only allow licensed customers to resell its products, therefore "[a]ll other resellers are selling either counterfeit goods or [are] non licensed sellers."
- eBay sellers have been threatened by multiple brand owners that they will be reported through VeRO if they do not raise the prices of their listings with a message to change pricing to reflect their MAP policy or increase prices.

The specific instances referenced above are a representative sample of allegations of trademark infringement received by eBay which adversely impact the operations of small businesses that sell on eBay sites, harm consumers, and are but a few specific examples of "bullying" and trademark misuse as the USPTO defines it. eBay would be pleased to provide

further information upon request. Small business owners do not have a means of redress or the significant resources required to fight against trademark bullying attacks. Additionally, small businesses don't have the ability to discourage or prevent such bullying from taking place in the future.

5. Please describe situations where you have been involved in opposition/cancellation proceedings instituted at the USPTO against small business owners. Anecdotal information might include, but is not limited to, a description of whether the proceedings settled on the basis of the small business agreeing to abandon its application(s) for one or more marks, or whether the proceedings settled on the basis of the plaintiff withdrawing or abandoning its notice of opposition or cancellation petition. Alternatively, relevant information might include a description of whether such proceedings resulted in a decision by the USPTO Trademark Trial and Appeal Board ("TTAB") refusing to register/canceling one or more marks owned by the small business, or whether such proceedings resulted in the TTAB imposing sanctions against the plaintiff under Rule 11 of the Federal Rules of Civil Procedure.

Ranked as one of the top 50 global brands for 2010 by Interbrand[2], eBay takes appropriate measures to protect and enforce its highly valued trademarks. Included in these enforcement efforts is eBay's participation in proceedings instituted at the USPTO. Since 2002, eBay has filed 21 oppositions at the USPTO, each of which has been successful, and currently has two oppositions pending. eBay has additionally filed an Extension of Time to Oppose in 13 different cases. In each of these 13 cases, the applicant ultimately allowed their application to become abandoned.

6. Do you think trademark "bullies" are currently a problem for trademark owners, and if so, how significant is the problem?

Trademark bullies are a significant problem for trademark owners. eBay often receives reports of trademark infringement that are unrelated to the goal of protecting the consumer against a likelihood of confusion, as shown by the examples discussed in response to question 2 above. Instead, reports may be received that an item is counterfeit, only to be retracted by the reporting entity with an admission that the item is in fact authentic. In other instances, the

[2] *Best Global Brands 2010*, http://www.interbrand.com/en/best-global-brands/best-global-brands-2008/best-global-brands-2010.aspx

reporting entity may contact a seller directly to inform them that they have been reported for price maintenance concerns, or as part of the reporting entity's efforts to control outside distribution channels. Attempting to enforce a trademark for non-trademark purposes undermines the true purpose of trademark law – to protect consumers from being confused about the source of goods or services.

7. Do you think aggressive litigation tactics are more pervasive in the trademark area than in other areas of the law?

Aggressive litigation tactics are more pervasive in the trademark area than in other areas of the law due in large part to the nature of trademark infringement disputes. At the most basic level, trademark infringement only requires that a *likelihood* of confusion be shown, and thus disputes (and subsequent litigation) often arise involving a subjective and highly contextual analysis, which in turn creates a great amount of uncertainty as to whether a defending party will ultimately prevail in litigation. Trademark bullies are successful in obtaining settlements against other trademark owners, even where the trademark infringement claims asserted are questionable, because defending parties are either not capable, financially or otherwise, or willing to deal with the risks and uncertainty involved in litigating a trademark dispute. As discussed in greater detail below, such aggressive litigation tactics may be deterred with the codification of a trademark misuse defense in the Lanham Act.

8. Do you think the USPTO has a responsibility to do something to discourage or prevent trademark bullying? If yes, what should the USPTO do?

eBay commends the USPTO for its leadership in assessing the role it can play to discourage or prevent trademark bullying. We believe the USPTO can in fact play an important and influential role to discourage and prevent trademark bullying by aligning incentives with the

proper use of trademark rights in a way that respects the boundaries and purpose of trademark law.

For instance, the USPTO could adopt an informational hotline system that provides information and resources for companies subject to trademark bullying to create disincentives to abusive and anticompetitive uses of trademark rights. The hotline could be used by small businesses to gain information, assess the merits of claims asserted against them and help direct them to competent counsel for legal advice. Once a bully is reported, the USPTO can investigate claims and warn those who misuse a trademark that the bullying is unacceptable, and issue a written warning requesting that the bully cease and desist from misusing its trademark rights. If the trademark bullying persists despite such warning, the USPTO could consider its ability to impose sanctions.

The investigation process could be triggered by the filing of a written complaint by the victims of trademark bullying, including any written documentation supporting the complaint submitted by the victim. As discussed above, it is crucial to consider the sensitivities of small businesses in reporting a trademark bully, and thus the USPTO should consider an alternative process whereby small businesses are permitted to submit anonymous written or oral complaints.

As part of this system, it may be beneficial for the USPTO to maintain a public database of parties found to have engaged in such impermissible bullying practices, and their related cease and desist letters. Such publicity of frivolous enforcement efforts could incite a level of public scrutiny and criticism sufficient to encourage trademark bullies to reassess their tactics for enforcement and be held publicly accountable for their actions.

9. Do you think the U.S. courts have a responsibility to do something to discourage trademark bullies? If yes, what should the U.S. courts do?

Ideally, Congress could codify a trademark misuse defense to an allegation of trademark infringement that would allow U.S. courts to dismiss trademark bullying lawsuits with prejudice where the misuse defense is successful, such as where it is demonstrated that the plaintiff is attempting to use its trademark(s) for anti-competitive purposes, or the trademark is otherwise used in violation of the law. A codified trademark misuse defense could also include a provision for costs and attorney's fees for prevailing parties in U.S. courts where losing parties are found to have engaged in trademark misuse.

U.S. courts could also sanction trademark bullies by dismissing their lawsuits with prejudice and awarding costs and attorneys' fees to the bullied defendant. Indeed, U.S. courts would do well to follow the example established by Judge Posner in Nightingale Home Healthcare, Inc. v. Anodyne Therapy, LLC, 2010 WL 471581, 96 U.S.P.Q.2d 2017 (7th Cir. Nov. 23, 2010). In Nightingale, Judge Posner provided a circuit-by-circuit analysis of what makes a trademark or false advertising case "exceptional" to warrant an award of attorney's fees to the prevailing defendant under the Lanham Act, and then concluded that "a case under the Lanham Act is 'exceptional,' in the sense of warranting an award of reasonable attorneys' fees to the winning party, if the losing party was the plaintiff and was guilty of abuse of process in suing." Nightingale, 2010 WL 47158, at *5. With respect to the standard for when a plaintiff is guilty of "abuse of process," Judge Posner explained that "[u]nlike malicious prosecution, which involves filing a baseless suit to harass or intimidate an antagonist, abuse of process is the use of the litigation process for an improper purpose, whether or not the claim is colorable." Id., at *4. Indeed "[t]he gist of the abuse of process tort is said to be misuse of legal process primarily to accomplish a purpose for which it was not designed, usually to compel the victim to yield on some matter not involved in the suit." Id. (internal citation omitted). As such, "the abuse of

process claim permits the plaintiff to recover without showing the traditional want of probable cause for the original suit and without showing termination of that suit. Abuse of process is a prime example of litigating in bad faith." Id. (internal citation omitted). U.S. courts should uniformly apply the standards set forth in Nightingale to discourage the filling of trademark infringement lawsuits based on ulterior motives.

10. What other U.S. agencies may have a responsibility to do something about the problem?

eBay is aware that the Computer & Communications Industry Association's has proposed that the Federal Trade Commission is competent in intellectual property matters and well-positioned to police trademark misuse. For example, the informational hotline referenced above could be operated by the FTC in the same way that the FTC receives inquiries about false advertising and consumer deception tactics, or could be maintained by the FTC itself. Leveraging the FTC's ability to respond to unfair or deceptive business practice, in the context of trademark misuse, could prove a powerful deterrent to trademark bullying.

11. Do you think Congress has a responsibility to do something to discourage or prevent trademark bullying? If yes, what should Congress do?

Congress could improve the landscape by amending the Lanham Act to expressly provide appropriate sanctions against trademark bullies. Such sanctions may be in the form of:

(a) A trademark misuse defense to an allegation of trademark infringement; and

(b) An explicit provision that provides for payment of costs and attorneys' fees of the prevailing party, where the losing party is either found to have engaged in trademark misuse or is a plaintiff guilty of abuse of process in suing as delineated in Nightingale.

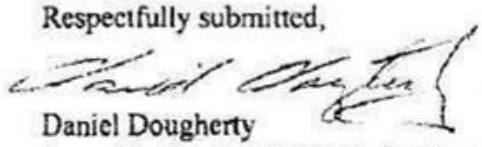
Congress may also consider the adoption of a declaratory judgment-styled "threats action," currently available in the UK and other countries, whereby the recipient of a cease-and-

desist letter has a viable cause of action against the trademark bully who sent the correspondence, including the ability to recover damages, costs, and attorneys' fees.

12. Please provide any other comments you may have.

Having one of the most valued brands in the world, valued at over $7 billion, eBay understands the importance and value of protecting intellectual property rights. Toward that end, eBay is an active member of a number of intellectual property-focused organizations, including the International Trademark Association (INTA), the Global Intellectual Property Center (GIPC), the Industry Trust and Creative Commons. At the same time, overall economy, consumer welfare and job creation is best promoted by an overall sensible balance in the application of intellectual property rights, which is in the best tradition of U.S. intellectual property law. Trademark misuse and "bullying" by rights owners is disruptive of this balance and harms legitimate online small businesses, and the legitimate jobs that they create. Legitimate small businesses legally offering authentic products through eBay's platform should not be abused by trademark owners in order to deprive consumers worldwide of a wide variety of choice and value. While trademark law allows trademark owners to benefit from the goodwill associated with their trademarks, it is not intended to stifle legitimate competition. *See, e.g., Platinum Home Mortgage Corp. v. Platinum Fin. Group, Inc.*, 149 F.3d 722, 726 (7th Cir. 1998) ("[T]he purpose of the trademark law is to protect consumers from confusion – not companies from competition.").

Respectfully submitted,



Daniel Dougherty
Associate General Counsel, Intellectual Property
eBay Inc.
2145 Hamilton Avenue
San Jose, California 95125